

D.P.U. 95-7C

Application of Nantucket Electric Company:

(1) under the provisions of G.L. c. 164, § 94G and the Company's tariff, M.D.P.U. 193B, for approval by the Department of Public Utilities of a change in the quarterly fuel charge to be billed to the Company's customers pursuant to meter readings in the billing months of August, September, and October 1995; and

(2) for approval by the Department of rates to be paid to Qualifying Facilities for purchases of power pursuant to 220 C.M.R. §§ 8.00 et seq. The rules established in 220 C.M.R. §§ 8.00 et seq. set forth the filings to be made by electric utilities with the Department, and implement the intent of sections 201 and 210 of the Public Utilities Regulatory Policies Act of 1978.

(3) under the provisions of G.L. c. 164, § 94G for approval by the Department of the actual unit by unit and system performance of the Company with respect to each target set forth in the Company's approved performance program.

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Maribeth Ladd, Esq.  
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21 Custom House Street  
Boston, Massachusetts 02110

FOR: NANTUCKET ELECTRIC COMPANY  
Petitioner

Jane Walton  
22 North Pasture Lane  
Nantucket, Massachusetts 02554  
Limited Participant

## I. INTRODUCTION

On June 28, 1995, pursuant to G.L. c. 164, § 94G and 220 C.M.R. §§ 8.00 et seq., Nantucket Electric Company ("Nantucket" or "Company") notified the Department of Public Utilities ("Department") of the Company's intent to file a quarterly change to its fuel charge in conformance with its tariff, M.D.P.U. 193B, and to its Qualifying Facility ("QF") power purchase rates in conformance with its tariff, M.D.P.U. 193B. The Company requested that both these changes be effective for bills issued pursuant to meter readings for the billing months of August, September, and October 1995. In addition, the Company filed its performance program relating to fuel procurement and use. Pursuant to G.L. c. 164, § 94G, the Department has continued the proceeding in order to investigate performance variances from the goals established for a company's generating units for the twelve-month performance period. These matters were docketed as D.P.U. 95-7C.

Pursuant to notice duly issued, a public hearing on the Company's application was held on July 24, 1995, at the Department's offices in Boston. Notice of the hearing was published by the Company in the Nantucket Beacon and in the Inquirer and Mirror. The Company also complied with the requirement to mail a copy of the notice of the hearing to all persons with whom the Company has special retail contracts that do not incorporate a filed rate, and to all intervenors and their respective counsel from the Company's prior two fuel charge proceedings. Jane Walton, a residential customer of the Company, was granted status as a limited participant (Tr. at 4). No other petitions for leave to intervene were filed.

At the hearing, the Company sponsored one witness: Douglas Kenward, director of

planning and regulatory affairs for the Company. The evidentiary record includes six exhibits submitted by the Company.

Nantucket supplies electricity at retail cost to the island of Nantucket, which is not interconnected with the mainland or with any other electric company or system. Thus, the Company is distinguishable from most other New England utilities in that it is completely dependent on itself and any nonutility power producers on Nantucket for its generation needs. The Company's generating plant consists of eleven internal combustion (diesel) engines and associated generators, variously sized from 1,250 kilowatts ("KW") to 6,900 KW, with a total installed generating capacity of approximately 33,150 KW. The Company has 7,651 customers on a monthly basis, of which approximately 2000 are year-round customers. In its 1994 annual report to the Department, the Company reported retail revenues of \$12,276,805 from the sale of 90,200 megawatthours of electricity.

## II. FUEL CHARGE

On July 17, 1995, the Company filed with the Department its proposed changes to its fuel charge and QF power purchase rates for August, September, and October 1995. For these billing months, the Company proposes a fuel charge of \$0.05374 per kilowatthour ("KWH"). The proposed fuel charge is \$0.01367 per KWH more than the quarterly fuel charge of \$0.04007 per KWH approved by the Department in Nantucket Electric Company, D.P.U. 95-7B (1995) for meter readings for the billing months of May, June, and July 1995.

Mr. Kenward stated that the increase in the proposed fuel charge is attributable to: (1) the completion of the \$100,000 refund to customers in the current quarter pursuant to the Company's settlement agreement in Nantucket Electric Company, D.P.U. 94-7C-1; (2) a \$43,313

overcollection going into the current quarter; and (3) a cumulative undercollection of \$165,121.85 in the current quarter (Exhibit N-1, at 7; Tr. at 8-10). The Company explained that the cumulative undercollection was due to: (1) electricity generation in the current quarter that was higher than forecasted which resulted in the dispatching of less-economical units and increased fuel costs; and (2) the retarding of engines, in order to reduce nitrous oxide emissions to comply with the Clean Air Act, which resulted in increased fuel consumption of up to 3 to 4 percent (Tr. at 9-10).

### III. QUALIFYING FACILITIES

Pursuant to the Department's rules in 220 C.M.R. §§ 8.00 et seq., rates to be paid to QFs for short-run power purchases are set with the same frequency as the fuel charge. A QF is a small power producer or cogenerator that meets the criteria established by the Federal Energy Regulatory Commission in 18 C.F.R. § 292.203(a) and adopted by the Department in 220 C.M.R. § 8.02.

Pursuant to 220 C.M.R. § 8.04, the Company is required to calculate short-run energy purchase rates on a time-of-supply basis for two rating periods: peak and off-peak. In addition, the Company is required to calculate a non-time-differentiated energy rate, i.e., a total period rate, which is a weighted average of the time-of-supply rates, where the weighting is a function of the number of hours in each rating period. See 220 C.M.R.

§ 8.04(4)(b). The Company is also required, under 220 C.M.R. § 8.04(6)(b), to file its short-run capacity purchase rates, calculated on a KWH basis by voltage level, according to the formula in 220 C.M.R. § 8.04(6)(a).

The Company proposed the following standard rates to be paid to QFs during August, September, and October 1995 (Exh. N-4):

Energy Rates By Voltage Level (Mills/KWH)

<u>Voltage Level</u>	<u>Peak</u>	<u>Off-Peak</u>	<u>Total</u>
Primary	\$0.06757	\$0.06575	\$0.06688

Short-Run Capacity Rates (Mills/KWH)

<u>Voltage Level</u>	<u>Short Run Capacity Rate</u>
Primary	\$0.023765

IV. EMD LEASE CHARGE

Tariff M.D.P.U. 333 ("Tariff"), effective August 1, 1994, allows the Company to recover certain expenses associated with the Company's lease from New England Power Company and the installation by New England Electric Resources, Inc. of one General Motors Electro-Motive Division MU-20E automatic electric power plant consisting of two diesel driven 2,750 kilowatt peak generators ("EMD"). The Tariff specifies that the cost for the generators is to be recovered via an EMD Lease Charge, to be applied to customer bills as a per KWH charge and that the EMD Lease Charge is to be reconciled annually, in the same proceeding in which the Company's Cost of Fuel Charge (M.D.P.U. No. 193B) for the months of August, September, and October is set.

Further, the Tariff states that the EMD Charge shall be an amount, which when multiplied by the Company's projected kilowatthour sales during each twelve-month period for which it is in effect (the "Estimate Period"), shall yield, on an annual basis, \$542,280 plus any additional costs

up to \$21,720 reasonably incurred by the Company associated with the transport and installation of the EMD, and the purchase and installation of environmental control equipment that may be required by the Department of Environmental Protection, net of any outstanding over- or under-collection of these same amounts experienced by the Company during the previous twelve-month period. The EMD Charge, as so determined for any Estimate Period, shall be applied in said Estimate Period to the price of each kilowatthour of electricity billed by the Company to its customers in said Estimate Period.

The Company proposes an EMD Lease Charge for the billing months of August 1995 through July 1996 in the amount of \$0.00651 (Exh. N-1, at 3; Exh. N-3). The charge was determined by dividing the total cost to be recovered of \$595,007.60 by the forecast KWH sales of 91,386,250 (Exh. N-3).

#### V. FINDINGS

Based on the foregoing, the Department finds:

1. that the fuel charge to be applied to Company bills issued pursuant to meter readings for the billing months of August, September, and October 1995 shall be \$0.05374 per KWH.

(The calculation of the fuel charge is shown in Table 1 attached to this Order.); and

2. that the qualifying facility power purchase rates for August, September, and October 1995 shall be the rates set forth in Section III above; and

3. that the EMD Lease Charge will be \$0.00651 per KWH applied to Company bills issued pursuant to meter readings for the billing months of August 1995 through July 1996. (The calculation of the EMD Lease Charge is shown in Table 2 attached to this Order).

VI. ORDER

Accordingly, after due notice, hearing and consideration, it is

ORDERED: That Nantucket Electric Company is authorized to put into effect a quarterly fuel charge of \$0.05374 per KWH as set forth in Section IV, Finding 1 of this Order for bills issued pursuant to meter readings for the billing months of August, September, and October 1995; and it is

FURTHER ORDERED: That the fuel charge approved herein shall apply to kilowatthours sold to the Company's customers subject to the jurisdiction of the Department and shall be itemized separately on all such customers' electric bills; and it is

FURTHER ORDERED: That the Company's Qualifying Facility power purchase rates for the billing months of August, September, and October 1995, shall be those set forth in Section III of this Order; and it is

FURTHER ORDERED: That the Company is authorized to put into effect an EMD Lease Charge of \$0.00651 per KWH as set forth in Section V, Finding 3 of this Order for bills issued pursuant to meter readings for the billing months of August 1995 through July 1996; and it is

FURTHER ORDERED: That the Company, in all future fuel charge proceedings, shall notify all intervenors and their respective counsel from the Company's prior two fuel charge proceedings that it is proposing an adjustment to its fuel charge, and shall also notify these persons of the date scheduled for the hearing on the proposed fuel charge at least ten days in advance of the hearing; and it is

FURTHER ORDERED: That the Company, in all future fuel charge proceedings, shall provide all intervenors and their respective counsel from the prior two fuel charge proceedings with a copy of its fuel charge filing, in hand or by facsimile, on the same day it is filed with the Department; and it is

FURTHER ORDERED: That, pursuant to G.L. c. 164, § 94G(a) and (b), fuel costs allowed by this Order are subject to such disallowance as the Department may determine in any subsequent investigation of the Company's performance period that includes the quarter applicable to the present charges.

By Order of the Department,

—  
Kenneth Gordon, Chairman

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Mary Clark Webster, Commissioner

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Janet Gail Besser, Commissioner



Appeal as to matters of law from any final decision, order or ruling of the Commission may be taken to the Supreme Judicial Court by an aggrieved party in interest by the filing of a written petition praying that the Order of the Commission be modified or set aside in whole or in part.

Such petition for appeal shall be filed with the Secretary of the Commission within twenty days after the date of service of the decision, order or ruling of the Commission, or within such further time as the Commission may allow upon request filed prior to the expiration of twenty days after the date of service of said decision, order or ruling. Within ten days after such petition has been filed, the appealing party shall enter the appeal in the Supreme Judicial Court sitting in Suffolk County by filing a copy thereof with the Clerk of said Court. (Sec. 5, Chapter 25, G.L. Ter. Ed., as most recently amended by Chapter 485 of the Acts of 1971).